

USAID/Jamaica

Annual Report

FY 2004

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Related document information can be obtained from:
USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910
Telephone: (301) 562-0641
Fax: (301) 588-7787
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

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Jamaica

Performance:

Background: Jamaica, the third largest island in the Caribbean, is also one of the poorest countries in the region. The large number of U.S. citizens of Jamaican origin, the country's proximity to the United States, and its importance as a destination for over one million US travelers each year mean that joblessness, the HIV/AIDS epidemic, drug trafficking, environmental degradation, and recurrent natural disasters directly affect the United States' national interests.

Deep partisan divisions dominate the electoral process, which often has been marred by violence, intimidation and fraud. Political tribalism is manifest in "garrison" communities, where powerful local "dons" wield power and undermine legitimate authority. The business community cites crime, along with poor education, as its most serious constraints. Jamaica's police forces and justice system have not been able to keep up with the challenges and many people have lost confidence in the ability of the state to guarantee basic freedoms and keep them safe. On its scale of 1-7 (1 = most free), Freedom House gives Jamaica a score of 2 for political rights and 2 for civil liberties. The World Bank Governance indicators rank Jamaica at the 43rd percentile for political stability.

Transparency International's Corruption Perceptions Index 2002 places Jamaica at 45th among 102 countries rated, with a score of 4.0 on a scale of 0 to 10 (0 being highly corrupt). A similar World Bank index consistently puts Jamaica at the 39th percentile. A recurring theme is the lack of political will to reform the political system or to address development issues, whether through legislation or enforcement of existing rules.

Jamaica lacks well-established community level governance institutions and effective lines of communication between the general public and national government. Centralized authority leaves communities without the ability to resolve their own problems and there is a strong sense that people's voices are not heard in decision-making. The Government's 2002 Social Policy Framework calls for more transparent and accountable public organizations and officials, a better-informed citizenry, and wider, deeper and continuous citizen participation in governance and public-sector decision-making.

Jamaica's worsening fiscal deficit and high levels of costly external and domestic debt greatly constrain its ability to make the social sector investments needed to help transform its economy into a more productive and competitive one. After a period of negative growth in the late 1990's, since 2000, Jamaica's economy has experienced real growth in Gross Domestic Product (GDP) between 0.7% and 3%. However, per capita GDP in Jamaica has not grown since 1982. At the end of 2002, the total stock of the country's debt had reached 140.26% of GDP. It is estimated that 63% of the government's revenues are being used to service debt and 85% of the remaining 37% is spent on public sector salaries, leaving 5.5% of the budget for all other purposes. The government continues to grapple with ways to control exchange rate fluctuations, while also working to reduce the potential negative impact of inflation (12.2% in October 2003).

The number of reported new HIV infections in adolescents has doubled each year since 1995. Over one third of all young people between 15 and 16 are no longer enrolled in school and over 60% are out of school by age 18. Furthermore, 46% of youth between the ages of 14 and 19 and 30% of youth between the ages of 20 and 24 are unemployed. Low literacy and numeracy skills among youth limit their opportunities in the labor market.

U.S. Interests and Goals: U.S. strategic goals in Jamaica derive from its geographic proximity to the US; homeland security concerns and the threat from transnational crime and drugs that have found a home

base in Jamaica; the benefits of a democratically stable and prosperous partner in the region, close to the US border; and the dangers to the US (particularly given the volume of US tourists to Jamaica) of an HIV/AIDS pandemic in Jamaica.

Bilateral relations with Jamaica are generally good, with collaboration motivated by common national interests and shared values. Jamaica has the potential to strengthen its democracy and its market economy. However, its ability to do so in support of U.S. interests will depend on (1) successfully addressing the negative cross-border issues referred to above; (2) developing and implementing a long-term strategy to resolve the issues of excessive debt, an overvalued currency, high interest rates, and growing inflation; (3) reducing barriers to trade and investment and encouraging increased productivity; and (4) the strengthening of institutions and an environment favoring swift and consistent application of the rule of law, including reducing violent crime. Supporting Jamaica in its efforts to address these challenges will contribute to U.S. security, regional stability, and a vibrant free trade environment in the hemisphere.

Donor Relations: Bilateral donor agencies and multilateral organizations are implementing a wide range of complementary programs. However, donor coordination is spotty, with insufficient efforts aimed at sectoral coordination to enhance synergies and overall impact of donor assistance. With the government having to eliminate certain donor activities because of insufficient counterpart funds, closer donor coordination becomes a must to ensure any resulting gaps are filled to the extent possible.

USAID collaborates with various donors on programs throughout our portfolio. The Adolescent Reproductive Health Program will collaborate with The Canadian International Development Agency on conducting an assessment of gender-related reproductive health campaigns. Our HIV-AIDS program is collaborating extensively with the World Bank on implementation of the National HIV/AIDS Strategic Plan. The mission and UNICEF are jointly funding the Transitions Pilot Project for improved school readiness and performance of children aged 4-8 in pre-primary and primary schools. The Inter-American Development Bank and USAID collaborated to revise courses for the primary education curricula for the six teachers' colleges in Jamaica. With the British Department for International Development (DFID), USAID is coordinating to conduct research in the Caribbean on watershed incentives and valuation.

Challenges: Over the past ten years, Jamaica has achieved growth or poverty reduction, but only in one year has it managed both at the same time. Although poverty has decreased substantially over the past 20 years, analysts generally attribute that reduction to the impact of remittances as opposed to economic growth. Jamaica has lost its competitive position in manufacturing and agriculture and needs to adjust dramatically to compete more effectively in the global economy. The World Economic Forum's Global Competitiveness Report for 2003 puts Jamaica at 67th out of 102 countries ranked for growth competitiveness and 56th out of 95 countries ranked for business competitiveness.

Although there have been occasional glimpses of positive economic trends since 2000, Jamaica's precarious macro-economic climate is greatly threatened by the widening fiscal deficit and high levels of external and domestic debt. Extremely high interest rates on the government's domestic debt stifle other more productive economic activity. A weakened economic environment negatively affects the private sector's ability to take the necessary steps for Jamaica to become more competitive and transition to more open trade regimes. Given that economic competitiveness will be the primary goal of our new strategic plan (FY 2005-2009), continued deterioration of the Jamaican economy could dampen the impact of our development efforts, especially those aimed at stimulating growth through a more competitive private sector.

Environmental degradation and resource depletion are important threats to the sustainability of growth in Jamaica, while recurring natural disasters, especially frequent floods, destroy and divert investment resources. Traditional agricultural production is no longer competitive and poverty rates in rural areas are high, leading people to engage in environmentally unsustainable, socially undesirable or illegal practices or to move to already distressed urban areas.

Many people consider governance problems to be the most serious challenge to development in

Jamaica. Empirical analyses suggest that modest improvements in the rule of law and control of corruption could dramatically improve Jamaica's economic performance.

The "youth at risk" problems - early sexual initiation, HIV/AIDS, sexual and physical abuse, school leaving, unemployment, crime and violence, substance abuse and drug dealing, and social exclusion - are closely linked to poor performance of the educational system and to the ultimate quality of the human resources available for Jamaica's development.

"Brain drain" is a significant challenge that especially confronts the educational system particularly (many of the best teachers are recruited by U.S. and British school systems) as well as the overall human resource capacity of the island. There may be global benefits to international mobility of human resources and there is some empirical support for the theory that migration opportunities may actually work to the benefit of some developing countries. However, in the analysis of brain drain winners and losers, Jamaica stands out in the latter category, losing 33% of its people with secondary education and more than 77% of those with a tertiary education. One consequence is the need for a higher investment in human capacity development than might otherwise be expected for a country at Jamaica's level of development.

Key Achievements: Despite the increasingly challenging economic environment in Jamaica, FY 2003 was a year of good progress for the USAID program in Jamaica. The Mission has capitalized on its strong partnerships with the GOJ, private sector and civil society to reduce business constraints and help create an environment more supportive of growth in the private sector, increased community level support for environmental management, fostered improvements in reproductive health services for youth and greatly accelerated the pace of its inner city programs. The challenge now is to ensure the sustainability of these activities and, in coming years, will be to build on these results, given the prospects of an increasingly constrained economic context.

Improved Business Environment: Under this SO, USAID supports increased growth in Jamaica's private sector by reducing regulatory constraints to doing business, improving the skills of select Jamaica businesses to enable them to compete effectively in the regional and global economies, and promoting increased private-sector financing for the micro and small business sectors. In 2003, USAID helped computerize the processes of the Registrar of Companies to facilitate on-line registration and information checks, thus greatly contributing to Jamaica's effort to bring more commercial entities into the formal sector. USAID's small business loan program through a local financial institution added 3,463 new loans valued over \$1 million. USAID assistance supported discussion forums that increased awareness of trade negotiation issues and helped stimulate proactive participation of the private sector in position setting for the negotiations. Great strides have been made in establishing competitive clusters in the agribusiness and tourism sectors, with approximately 120 firms receiving technical assistance and other forms of support.

Improved Quality of Natural Resources: USAID's environmental program reflects the concept that Jamaica's natural resources must be protected from Ridge-to-Reef in light of the impact of upland activities on the watershed and coastal areas. USAID assisted with the development of several laws that are strengthening the national policy framework for sustainable environmental management and helped community-based NGOs to implement agroforestry, ecotourism, sanitation, and environmental audit activities that are improving the quality of coastal waters and upland watersheds. During 2003, the target level of 25% for the percent of land under sustainable management in target watershed areas was exceeded by 10 percentage points. In addition, the percentage of faecal coliform samples (taken from target areas) that are in compliance with U.S. Environmental Protection Agency Standards increased from 78 to 84%, an achievement above the targeted level of 80%.

Improved Reproductive Health of Youth: This program targets Jamaica's high-risk adolescent population. USAID assistance is increasing the availability of and access to and use of youth-friendly HIV/STI and reproductive health services; developing and disseminating educational materials and innovative approaches to encourage changes in high-risk behaviors; improving the clinical and interpersonal skills of health workers to work with youth; and strengthening reproductive health policies. Data from the recently

conducted Reproductive Health Survey suggest a reduction of youth fertility and an increase in contraceptive use among youths under 20 in targeted areas. Seroprevalence among sexually transmitted infection clinic attendees was recorded at 2.6%, down from 5.8% in FY 2002. Similarly seroprevalence among antenatal clinic attendees dropped from 1.43% in FY to 1.29% in 2002.

Increased Literacy and Numeracy: USAID's education program is supporting sustainable improvements in literacy and numeracy among primary school students and out-of-school youth. The program includes a youth-at-risk component that is designed to promote self-esteem, reduce teenage pregnancy and HIV/AIDS/STDs, increase literacy, and re-instate drop-outs into schools. In 2003, the program that focuses on out-of-school youth, i.e., Uplifting Adolescents II, was able to reach over 7000 at-risk youth to help them acquire the basic skills necessary to either re-enter the formal school system or enter the workforce through apprenticeship.

Improved Citizen Security and Participation: This relatively new program seeks to broaden and deepen civil society's role in issues of governance, improve the efficiency of the justice system, and strengthen the relationship between the police and citizens in targeted inner city communities. In 2003, this program helped inner city residents, the private sector, NGOs and the government to build a consensus on specific actions to reduce crime and violence. A community management committee was formed that links two USAID inner city projects - Community Policing and the Peace and Prosperity Project - and that committee is serving as a critical vehicle for empowering the community to develop and articulate its own priorities and mobilize resources. Police have been trained in special techniques for community problem solving and safe, less lethal encounters with citizens. A new spirit of police-community relations is emerging and attitudes in the communities are more upbeat.

Improved Economic and Social Conditions in Target Inner City Communities: This pilot activity is helping reduce crime and violence, institute peaceful ways of conflict resolution, and create employment and entrepreneurship opportunities for inner city residents. In 2003, this program continued to break down the cultural and economic barriers that have negatively affected people living in the Grants Pen and Standpipe communities. The number of new businesses created and/or assisted in the two communities exceeded the goal of 20 that was set for the year. Thirty-eight businesses received technical assistance and support to improve operations and enhance market strategies, and seven new businesses were inaugurated - five of which were microenterprises. The opening of two major businesses in the Grants Pen community is being directly linked to changing attitudes vis-à-vis the improved security situation that is being nurtured through this activity.

Country Close and Graduation:

Results Framework

532-002 Improved Quality of Key Natural Resources in Selected Areas that are both Environmentally and Economically Significant

SO Level Indicator(s):

- Faecal coliform levels in coastal water at targeted sites
- Percentage of land under sustainable management in targeted areas

IR1 Increased adoption of environmentally sound practices

IR2 Increased adoption of policies for improved environmental management

IR3 Improved management of wastewater treatment plants in targeted sites

532-003 Improved Reproductive Health of Youth

532-004 Increased Literacy and Numeracy among Targeted Jamaican Youth

SO Level Indicator(s):

- Language arts scores, grades 3 and 6

IR1 Improved quality of teaching

IR2 Increased school attendance

IR3 Improved management of schools

532-006 Improve Business Environment for Developing the Small, Medium, and Micro Enterprise Sectors

SO Level Indicator(s):

- Number of new businesses registered

IR1 Key business processes reduced while fostering competition

IR2 Business skills of companies improved

IR3 Private financing for the micro and small sectors increased

532-007 Improved Economic and Social Conditions in Targeted Inner City Communities

IR1 Increased employment and entrepreneurship opportunities

IR2 Improved community capacity for conflict resolution

532-008 Improved Citizen Security and Participation in Democratic Processes

SO Level Indicator(s):

- Number of complaints filed at community policing station
- Number of key policies related to crime and violence that have been influenced by CSOs
- Reduction in number of backlogged cases in magistrate courts

IR1 Improved capacity of civil society to engage in democratic processes

IR2 Improved community/police relations

IR3 Improved capacity of the justice system

532-x10 532-WWW (Natural Assets/Rural Livelihood Program)

532-x11 532-XXX (Healthy Lifestyles Program)

532-x12 532-YYY (Better Educated Program)

532-x13 532-ZZZ (Legal/Political Reform Program)

532-xx9 532-VVV (Competitiveness Program)